

**Duchesne/ Wasatch Special Service
District (Bluebench Landfill)**

Annual Financial Report

For the Years Ended December 31, 2006 and 2005

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(Bluebench Landfill)**

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**Duchesne/Wasatch Special Service District
Financial Statements**

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Independent Auditors' Report

To the Board of Directors
Duchesne/Wasatch Special Service District (Bluebench Landfill)
Bluebench, Utah

We have audited the accompanying financial statements of the proprietary fund type activity of the Duchesne/Wasatch Special Service District as of and for the years ended December 31, 2006 and 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the proprietary fund type activity of the District as of December 31, 2006 and 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 3, 2007 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis (see table of contents for page numbers), are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Aycock, Miles & Associates, CPAs

May 3, 2007

Management's Discussion and Analysis

As management of the Bluebench Landfill (the District), we offer readers of the District's financial statements this narrative overview and analysis of financial activities of the District for the fiscal year ended December 31, 2006.

Financial Highlights

- Assets exceeded liabilities at closest year-end: $\$1,487,614 - \$1,214,792 = \$272,822$. Of this amount, $\$(481,300)$ is unrestricted and available to meet the District's ongoing obligations. The majority of net assets are invested in capital assets.
- Unrestricted cash increased $\$6,297$.
- Restricted cash increased $\$23,066$.
- Unrestricted net assets decreased $\$73,679$.
- Long-term and current portion of long-term debt decreased $\$102,219$.
- Accrual of closure and post-closure cost estimates increased $\$74,569$ as cell site capacity is consumed.
- The District's total assets of $\$1,487,614$ were 15% unrestricted cash and accounts receivable.
- Current assets decreased $\$19,335$ or 8%.
- Current liabilities decreased $\$17,009$ or 12%.
- Current assets less current liabilities increased $\$2,326$ or 2%.
- Fixed assets net of accumulated depreciation decreased $\$138,563$.
- Change in net assets was $\$(86,957)$. Landfill closure and post-closure cost accruals were $\$74,569$.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise two components: 1) fund financial statements for a proprietary fund type (business-type activity), and 2) notes to the financial statements.

Fund financial statements—A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Fund financial statements can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. This District is a proprietary fund only.

Proprietary funds—There are two types of proprietary funds: enterprise and internal service funds. The District maintains only one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The District uses an enterprise fund to account for its operation of the Bluebench landfill.

Proprietary funds provide the same type of information as government-wide financial statements, only in more detail. The proprietary fund financial statements provide information on the operation of the District. This fund is the District's only major fund. Because the District's only reporting unit is a proprietary fund and the reporting format is similar to government-wide reporting the presentation of government-wide financials statements are not required and are not necessary.

The basic proprietary fund financial statements can be found later in this report, see the table of contents for page numbers.

Notes to the financial statements—The notes provide additional information that is essential to a full understanding

of the data provided in the fund financial statements. The notes to the financial statements can be found later in this report, see the table of contents for page numbers.

Financial Analysis of the Proprietary Fund

Net assets may serve over time as a useful indicator of a government's financial position. Assets exceeded liabilities by \$272,822 at the close of the most recent fiscal year.

The District's net assets are comprised of three components:

Unrestricted net assets are -176% due to the large purchase of a new cell site in year 2004 with cash which left current assets less than current liabilities and closure costs. Unrestricted net assets may be used to meet the government's ongoing obligations to citizens and creditors.

Restricted net assets are 51% of the total. Restricted net assets comprise balances that have been restricted to legislation, debt covenants, and other legal requirements.

Capital assets (e.g., machinery, equipment, etc.) comprised 225% of total net assets, less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay any debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate any liabilities.

<u>Net Assets</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Current and other assets	\$ 226,260	\$ 245,595	\$ 204,748
Restricted cash	140,365	117,299	93,863
Net capital assets	<u>1,120,989</u>	<u>1,259,552</u>	<u>1,163,135</u>
Total assets	1,487,614	1,622,446	1,461,746
Current liabilities	128,831	145,840	148,889
Long-term liabilities	<u>1,085,961</u>	<u>1,116,826</u>	<u>883,997</u>
Total liabilities	1,214,792	1,262,666	1,032,886
Net assets:			
Invested in capital assets, net of related debt	613,757	650,102	737,135
Restricted	140,365	117,299	93,863
Unrestricted	<u>(481,300)</u>	<u>(407,621)</u>	<u>(402,138)</u>
Total net assets	<u>\$ 272,822</u>	<u>\$ 359,780</u>	<u>\$ 428,860</u>

The District's net assets decreased by \$86,957 during the most recent fiscal year. Key elements of this decrease are as follows:

<u>Change in Net Assets</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Revenues:			
Duchesne County & businesses	\$ 340,943	\$ 330,004	\$ 309,909
Wasatch County	307,970	261,240	240,897
Miscellaneous	14,532	2,158	961
Interest earnings	15,221	11,358	10,068
Total revenues	678,666	604,760	561,835
Expenses:			
Operations & maintenance	532,429	385,482	318,311
Closure & post-closure accrual	74,569	102,598	93,147
Depreciation	158,625	185,762	163,230
Total expenses	765,623	673,842	574,688
Increase (decrease) in net assets	\$ (86,957)	\$ (69,082)	\$ (12,853)

The District revenues from Wasatch County and Duchesne County increased because of increased tonnage delivered to the landfill. There were no changes in the rate structure.

Fund Budgetary Highlights

	<u>Original</u>	<u>Amended</u>	<u>Actual</u>
Revenues	\$ 544,271	\$ 744,271	\$ 678,666
Expenses	(544,271)	(744,271)	(765,623)
Net Income	\$ -	\$ -	\$ (86,957)

Capital Asset and Debt Administration

Capital assets—The District's investment in capital assets for its proprietary activity as of December 31, 2006 amounts to \$1,120,989 (net of accumulated depreciation). These capital assets are landfill cell sites, equipment, buildings, vehicles, and land. Net capital assets decreased \$138,563. Net assets decreased because the landfill only purchased land which was less than the year's depreciation. Assets purchases of \$20,062 exceeded depreciation expense of \$158,625.

<u>Net Capital Assets</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Land	\$ 135,916	\$ 115,854	\$ 115,854
Cell site construction	459,362	533,314	631,494
Buildings & improvements	39,325	41,506	43,688
Equipment	486,386	568,878	372,099
Total (net of depreciation)	\$ 1,120,989	\$ 1,259,552	\$ 1,163,135

Long-term debt—The District's long-term liability activity during the year are as follows:

<u>Long-term Debt</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Accrual of closure & post-closure	\$ 684,164	\$ 609,595	\$ 506,997
Zions capital lease (loader)	197,354	248,573	-
C.I.B. Revenue Bond	<u>309,878</u>	<u>360,878</u>	<u>426,000</u>
Total	<u>\$ 1,191,396</u>	<u>\$ 1,219,046</u>	<u>\$ 932,997</u>

The District's accrual of cell site closure and post-closure costs are estimated based on an engineering firm's calculations completed in 2004. The District will use this estimate until further revisions are made to the estimate, but for now are using the estimate of \$1,152,267 for total closure and post-closure cost estimates.

Economic Factors and Next Year's Budgets and Rates

The District has budgeted total revenues for \$848,670 and total expenses for \$848,670. Budget expenses are about 11% more than last year's actual results. Budgeted revenues are also about 25% higher than last year. There are some differences between the fiscal year 2006 budget and the 2005 actual results:

- Fuel and maintenance costs have budgets significantly higher than actual 2006 results.
- Revenues from tippage fees reflect a 25% increase due to \$5 per ton fee increase.

There is no property tax levy.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Bluebench Landfill, Attn: Glen Murphy, 234 North Center Street, Duchesne, Utah 84021.

Duchesne/Wasatch Special Service District
(Bluebench Landfill)
Statement of Net Assets--Proprietary Fund Type
December 31, 2006 and 2005

	<u>Business-type Activities</u>	
	<u>December 31, 2006</u>	<u>December 31, 2005</u>
Assets		
<u>Current Assets</u>		
Cash	\$ 151,552	\$ 145,255
Miscellaneous	-	-
Accounts receivable:		
Wasatch County	16,259	17,261
Duchesne County	58,449	83,078
Total Accounts Receivables	<u>74,708</u>	<u>100,339</u>
Total Current Assets	<u>226,260</u>	<u>245,595</u>
<u>Noncurrent Assets</u>		
Property and equipment		
Land	135,916	115,854
Cell site construction	926,717	926,717
Buildings & improvements	61,300	61,300
Equipment	845,097	845,097
(Less accumulated depreciation)	<u>(848,041)</u>	<u>(689,416)</u>
Total Property and Equipment	<u>1,120,989</u>	<u>1,259,552</u>
Restricted cash (financial assurance)	<u>140,365</u>	<u>117,299</u>
Total Noncurrent Assets	<u>1,261,354</u>	<u>1,376,851</u>
Total Assets	<u>1,487,614</u>	<u>1,622,446</u>
Liabilities		
<u>Current Liabilities</u>		
Accounts payable	12,552	31,092
Accrued payroll liabilities	6,854	7,748
Accrued interest	3,990	4,780
Current portion of long-term obligations	<u>105,435</u>	<u>102,219</u>
Total Current Liabilities	<u>128,831</u>	<u>145,840</u>
<u>Long-term Liabilities</u>		
Accrued closure & post-closure landfill costs	684,164	609,595
Revenue bonds & capital lease obligations	<u>401,797</u>	<u>507,232</u>
Total Long-term Liabilities	<u>1,085,961</u>	<u>1,116,827</u>
Total Liabilities	<u>1,214,792</u>	<u>1,262,666</u>
Net Assets (Assets less Liabilities)		
Invested in capital assets, net of related debt	613,757	650,101
Restricted (financial assurance)	140,365	117,299
Unrestricted	<u>(481,300)</u>	<u>(407,621)</u>
Total Net Assets (Assets less Liabilities)	<u>\$ 272,822</u>	<u>\$ 359,779</u>

Duchesne/Wasatch Special Service District
(Bluebench Landfill)
Statement of Revenues, Expenses, and in Changes in Fund Assets—Proprietary Fund Type
Years-ending December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Operating Revenues		
Duchesne County & all businesses	\$ 340,943	\$ 330,004
Wasatch County	307,970	261,240
Miscellaneous revenues	14,532	2,158
Total Income	663,445	593,402
Operating Expenses		
Salaries & wages	149,896	121,932
Employee benefits	58,988	53,947
Administrative fees	78,190	71,194
Office supplies	6,764	2,185
Telephone & utilities	2,265	1,861
Insurance	4,500	4,500
Fuel, oil, & grease	42,059	27,608
Repairs & maintenance	59,587	34,760
Interest	18,328	17,792
Professional fees	3,645	5,996
Environmental monitoring	95,058	33,234
Tire removal	8,576	1,366
Miscellaneous	4,575	9,107
Landfill closure & post-closure accrual	74,569	102,598
Depreciation	158,625	185,762
Total Operating Expenses	765,623	673,842
Operating Income	(102,178)	(80,440)
Nonoperating Revenues (Expenses)		
Interest earnings	15,221	11,358
Total Nonoperating Revenues (Expenses)	15,221	11,358
Change in Net Assets	(86,957)	(69,082)
Net Assets—beginning of year	359,779	428,861
Net Assets—end of year	<u>\$ 272,822</u>	<u>\$ 359,779</u>

Duchesne/Wasatch Special Service District
(Bluebench Landfill)
Statement of Cash Flows—Proprietary Fund Type
Years-ending December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Cash flows from operating activities:		
Cash received from customer services	\$ 674,545	\$ 594,494
Other cash received	14,532	2,158
Cash payments to employees for services	(209,778)	(184,284)
Cash payments to suppliers for goods and services	(323,758)	(240,905)
Cash paid for interest expense	(19,118)	(16,562)
Net cash provided by operating activities	<u>136,423</u>	<u>154,901</u>
Cash flows from investment activities:		
Purchase of equipment	-	(282,179)
Purchase of land	(20,062)	-
Interest income	15,221	11,358
Net cash provided by investment activities	<u>(4,841)</u>	<u>(270,821)</u>
Cash flows from noncapital financing activities:		
No activity	-	-
Net cash provided by noncapital financing activities	<u>-</u>	<u>-</u>
Cash flows from capital related financing activities:		
Cash proceeds from long-term obligations	-	273,380
Cash payments to retire long-term obligations	(102,219)	(89,929)
Net cash used for capital related financing activities	<u>(102,219)</u>	<u>183,451</u>
<i>Net increase (decrease) in cash</i>	<u>29,363</u>	<u>67,531</u>
Cash at beginning of year	<u>262,554</u>	<u>195,023</u>
Cash at end of year	<u>\$ 291,917</u>	<u>\$ 262,554</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income (loss)	\$ (102,178)	\$ (80,440)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	158,625	185,762
(Increase) decrease in accounts receivable	25,632	3,249
Increase (decrease) in payables & payroll accruals	(19,433)	(57,499)
Increase (decrease) in accrued interest	(790)	1,230
Increase (decrease) in landfill closure accrual	74,569	102,598
Net cash provided by operating activities	<u>\$ 136,423</u>	<u>\$ 154,901</u>

Duchesne/Wasatch Special Service District
(Bluebench Landfill)
Notes to the Financial Statements
December 31, 2006

NOTE 1 Summary of Significant Accounting Policies

Reporting Entity—The accounting policies of Duchesne/Wasatch Special Service District conform to generally accepted accounting principles as applicable to governmental units. Duchesne County/Wasatch County Special Service District (District) was created in December 14, 1998. Wasatch County and Duchesne County jointly govern the operations, maintenance, usage and management of the District and any related equipment and facilities for the purpose of disposing of solid waste of both Duchesne County and Wasatch County. Six board members comprise the governing board. Each County provides three board members. According to GASB 14 and Utah State Code 17a-1500 (all special service districts are component units); the District is a component unit of Wasatch County because it is the largest participant. Additionally, there are no component units belonging to the District. The following is a summary of the more significant policies.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation—The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The District reports only one proprietary fund for which presentation is similar to the government-wide format. Therefore, only proprietary enterprise fund format will be reported in the financial statements.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

Application of Accounting Pronouncements—Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The District has elected not to follow subsequent private-sector guidance.

Deposits and Investments—The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer's Investment Pool. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Receivables and Payables—All trade and property tax receivables are shown net of an allowance for uncollectible accounts. Trade accounts receivable in excess of 90 days comprise the trade accounts receivable allowance for uncollectible accounts.

Property Taxes—The District does not assess a property tax.

Duchesne/Wasatch Special Service District
(Bluebench Landfill)
Notes to the Financial Statements
December 31, 2006

Inventories and Prepaid Items—All inventories are valued at cost using the first-in/first-out method. Inventories of proprietary funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets—At times, the District may have funds set aside that are legally restricted or their use is limited by certain contracts. When eligible, restricted funds will be utilized before unrestricted funds. In regards to net assets restricted for land fill closure (financial assurance); unrestricted funds will be utilized until the financial assurance has reached its estimated required balance.

Capital Assets—Capital assets, which include property, plant, equipment, and infrastructure, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual significant cost and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government, as well as the component units if any, is depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings	35-40
Building improvements	15-20
Equipment	7-8
Vehicles	5
Office equipment	5

Compensated Absences—The District's policy is to permit employees to accumulate earned but unused personal leave and sick leave benefits. Unpaid accumulated sick leave is accrued at 25% because it is the District's policy to record the cost of sick leave only when it is used and employees are entitled to 25% of sick time upon termination. Vacation time is accrued when incurred and reported as a liability at that time.

Long-term Obligations—In the proprietary fund type, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

Comparative Data/Reclassifications—Comparative total data for the prior year, if presented, have been presented only for individual enterprise funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

Duchesne/Wasatch Special Service District
(Bluebench Landfill)
Notes to the Financial Statements
December 31, 2006

Use of Estimates—The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Budgetary Data—Budgets are presented on the modified accrual basis of accounting for all governmental funds of the District. The following procedures are used in establishing the budgetary data:

- During November and December of each year, the manager prepares the budget for general and capital improvement funds. The manager submits this budget to the Board of Directors.
- Budget shall be in effect subject to later amendment and shall be available for public inspection.
- Board may, by resolution, transfer unexpended appropriation from one department to another department within the same fund or they may reduce the budget in any department or fund. Specific restrictions apply. Board may increase the total budget by resolution.

NOTE 2 Cash Deposits and Investments

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the State and review the rules adopted under the authority of the State of Utah Money Management Act that relate to the deposit and investment of public funds.

The Association follows the requirements of the Utah Money Management Act (Utah Code, Section 51, Chapter 7) in handling its depository and investment transactions. The Act requires the depositing of Association funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

At December 31, 2006, the District's cash consisted of checking accounts at local banks, bonds, CDs and Utah's Public Trust Investment Fund. These accounts are maintained in the name of Duchesne County which tracks the District's cash balance and allocates the appropriate share to the District. Deposits are not collateralized nor are they required to be by state statute. Thus, the District's cash is pooled with Duchesne County's balances and in Duchesne County's name.

Summary of Deposits and Investments

Reconciliation to the Balance Sheet			
Balance Sheet		Deposits & Investments	
Cash	\$ 151,552	Duchesne County cash allocation	\$ 291,917
Restricted cash	140,365		-
Totals	<u>\$ 291,917</u>		<u>\$ 291,917</u>

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Notes to the Financial Statements
December 31, 2006

Deposits

Custodial Credit Risk—Custodial credit risk is the risk that, in the event of a bank failure, the Association's deposits may not be returned to it. The Association does not have a formal deposit policy for custodial credit risk.

Investments

The Money Management Act defines the types of securities authorized as appropriate investments for the Association and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

Statutes authorize the Association to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investors Services or Standard & Poor's; bankers' acceptances; obligations of the United State Treasury including bills, notes, and bonds; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer's Investment Fund.

The Utah State Treasurer's Office operates the Public Treasurer's Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer.

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, Utah Code Annotated, 1953, as amended. The Act established the Money Management Council which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses (net of administration fees), of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

As of December 31, 2006, the Association had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
Duchesne County cash allocation	291,917	291,917	-	-	-

Interest Rate Risk—Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Association's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. Except for funds of Institutions of Higher Education acquired by gifts, grants, or the corpus of funds functioning as endowments, the Act further limits the remaining term to maturity on all investments in commercial paper, bankers' acceptances, fixed rate negotiable deposits, and fixed rate corporate obligations to 270-365 days or less. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity

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Notes to the Financial Statements
December 31, 2006

exceeding 2 years. For funds of Institutions of Higher Education acquired by gifts, grants, or the corpus of funds functioning as endowments, Rule 2 of the Money Management Council does not allow the dollar-weighted average maturity of fixed income securities to exceed ten years.

Credit Risk— Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Association's policy for reducing its exposure to credit risk is to comply with the State's Money Management Act as previously discussed.

At December 31, 2006, the Association had the following investments and quality ratings:

Investment Type	Fair Value	Quality Rating			
		AAA	AA	A	Unrated
Duchesne County cash allocation	291,917	-	-	-	291,917

Concentration of Credit Risk—Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Association's policy for reducing this risk of loss is to comply with the Rules of the Money Management Council. Rule 17 of the Money Management Council limits investments in a single issuer of commercial paper and corporate obligations to 5-10% depending upon the total dollar amount held in the portfolio.

NOTE 3 Long-Term Debt

Changes in long-term debt and capital leases are as follows:

Notes Payable	Jan 1, 2006	Additions	Deletions	Dec 31, 2006	Current Portion
C.I.B. Bond, 2.5%, matures 2012	\$ 360,878	\$ -	\$ 51,000	\$ 309,878	\$ 52,000
Zions Capital Lease obligation	248,573	-	51,219	\$ 197,354	53,435
Total	<u>\$ 609,451</u>	<u>\$ -</u>	<u>\$ 102,219</u>	<u>\$ 507,232</u>	<u>\$ 105,435</u>

Loans			
Payment by year	Principal	Interest	Total
2007	\$ 52,000	\$ 7,747	\$ 59,747
2008	52,000	6,447	58,447
2009	53,000	5,147	58,147
2010	55,000	3,822	58,822
2011	56,000	2,447	58,447
2012	41,878	1,047	42,925
	<u>\$ 309,878</u>	<u>\$ 26,657</u>	<u>\$ 336,535</u>

Duchesne/Wasatch Special Service District
(Bluebench Landfill)
Notes to the Financial Statements
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Capital Lease			
<u>Payment by year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 53,435	\$ 7,881	\$ 61,316
2008	55,746	5,570	61,316
2009	58,158	3,158	61,316
2010	30,015	642	30,657
	<u>\$ 197,354</u>	<u>\$ 17,251</u>	<u>\$ 214,605</u>

<u>Leased Asset</u>	<u>Gross Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
966 Wheel loader	\$ 273,380	\$ 4,822	\$ 278,202

NOTE 4 Fixed Assets

Changes in fixed assets are as follows:

<u>Assets</u>	<u>Jan 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Dec 31, 2006</u>
Land	\$ 115,854	\$ 20,062	\$ -	\$ 135,916
Cell site construction	926,717	-	-	926,717
Buildings & improvements	61,300	-	-	61,300
Equipment	845,097	-	-	845,097
Assets before depreciation	1,948,968	20,062	-	1,969,030
(Less accumulated depreciation)	(689,416)	(158,625)	-	(848,041)
Total Fixed Assets	<u>\$ 1,259,552</u>	<u>\$ (138,563)</u>	<u>\$ -</u>	<u>\$ 1,120,989</u>

Duchesne/Wasatch Special Service District
(Bluebench Landfill)
Notes to the Financial Statements
December 31, 2006

NOTE 5 Landfill Closure and Post-closure Care Costs

State and Federal laws and regulations require the District to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill closes a particular cell site, the District reports a portion of these closure and post-closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$684,164 reported as landfill closure and post-closure care liability at December 31, 2006 represents the cumulative amount reported to date based on the use of 59 percent of the estimated capacity of the landfill cell sites currently being used. The District will recognize the remaining estimated cost of closure and post-closure care of \$468,103 as the remaining estimated capacity of the landfill is filled. These amounts are based on what it would cost to perform all closure and post-closure care in 2006. Of the three cell sites, the first site is not in use, and the remaining two are still in use. The District expects to partially close the first cell site in 2006 and the second and third cell sites in about 6½ to 7½ years. Actual cost may be higher due to inflation, changes in technology, or changes in regulations. The landfill has \$140,365 restricted cash for the purpose of closure and post-closure as stated above. The landfill assesses a 50 cent per ton fee to increase this financial assurance cash reserve. In the year 2006, the landfill accepted about 45,800 tons, which included some one time items. The financial assurance reserve increased during the year approximately \$23,066. It is estimated that the financial assurance will vary year to year based on tonnage.

NOTE 6 Related Parties

The District is governed by Duchesne and Wasatch County Commissioners. These two Counties are the principal customers of the District. If a County arranges for landfill collection and performs the billing to that group, then that County pays the District the fees for landfill tonnage. In year 2006, Wasatch County paid 46% of landfill fees and Duchesne County paid 51% of the landfill fees. At year-end December 31, 2006, Wasatch and Duchesne Counties owed to the District \$16,259 and \$58,449, respectively.

NOTE 7 Subsequent Events

The District increased the tonnage fee from \$15 to \$20 per ton as of January 1, 2007. Other rates for specific components of landfill waste were also increased.



Other Government Reports

**Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of the
Financial Statements in Accordance With *Government Auditing Standards***

Board of Directors
Duchesne/Wasatch Special Service District

We have audited the financial statements of Duchesne/Wasatch Special Service District as of and for the year ended December 31, 2006, and have issued our report thereon dated May 3, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Duchesne/Wasatch Special Service District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting. A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance

As part of obtaining reasonable assurance about whether Duchesne/Wasatch Special Service District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Aycock, Miles & Associates, CPAs

May 3, 2007

Utah State Compliance Report

President and Board of Directors
Duchesne/Wasatch Special Service District

We have audited the general purpose financial statements of Duchesne/Wasatch Special Service District, Duchesne, Utah, for the year ending December 31, 2006 and have issued our report thereon dated May 3, 2007. Our audit included test-work on the District's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

Public Debt
Budgetary Compliance

Cash Management
Property Tax

Purchasing Requirements
Other Compliance

The District did not receive any major or non-major grants during the year ended December 31, 2006.

The management of Duchesne/Wasatch Special Service District is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed one instance of noncompliance. The District's actual expenditures exceeded the budgeted allowance for the year. Actual expenses were 2.9% greater than budgeted expenses.

Management Response: The District will analyze the budget impacts of cell site depreciation and estimated landfill closure estimate costs in the future so that these costs can be appropriately analyzed for budget purposes.

In our opinion, the Duchesne/Wasatch Special Service District, Duchesne, Utah, complied, in all material respects, with the general compliance requirements identified above for the year ended December 31, 2006.

Axcock, Miles & Associates, CPAs

May 3, 2007